



September 12, 2016

To: City Budget Office

From: City Auditor Mary Hull Caballero

Re: Fall Budget Monitoring Report

## **Operating Budget Reconciliation**

The Auditor's Office Fall Budget Monitoring Report shows that the Office is within the spending plan for both Personnel Services and Internal Materials and Services. We are under budget in External Materials and Services for FY 2016-17.

## **New Requests**

The Auditor's Office has one new request in this report and one request that is being submitted by Facilities as part of the capital set-aside process. The first is a request for General Fund Discretionary to pay for replacement of the Hearings Office's case management software, which is beyond its end-of-life schedule and is no longer maintainable. The second request, which is in the Facilities BMP submission, is for funding for workplace security measures. Immediate security improvements are required to protect Auditor's Office employees who work on the first floor of City Hall. Security threats have become more acute in recent months for Independent Police Review and Council Clerk/Contracts staff, and creating safe workspaces is a priority for me.

## **Technical Adjustments**

The Auditor's Office requests two technical adjustments for maintenance and additional programming on the Lien Accounting System.

## **Decision Package and Programmatic Request Update**

An FY 2016-17 Decision Package update report is included to detail the status of two carryover requests and the hiring of additional investigators in the Independent Police Review.

## **LID Fund, Assessments Collection Fund, and Bancroft Bond Interest & Sinking Fund**

Several variances exist in the actual year end activity for revenues and expenditures compared to revised budget amounts in these funds. Although several of these variances may be significant, they are not directly the result of operational activity but are due to the general nature of the Local Improvement District (LID) construction process, various LID projects that the City Council has approved, the level of assessment collection activity, the number of lien searches performed, whether bond expenses were incurred, and the degree to which property owners in LID districts finance their share of the cost of various City improvement projects.



**CBO Discussion and Recommendations  
FY 2016-17 Fall BMP**

**Bureau:** Office of the City Auditor

**Type:** Technical Adjustment

**Request:** AU\_001 - LID Technical Adjustment

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
Internal Materials and Services	100,000	0	100,000
Contingency	(100,000)	0	(100,000)
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

The Auditor's Office requests a technical adjustment in the Local Improvement District fund to increase Bureau Overhead with the Auditor's Office by \$100,000 for increased costs of external programming support services for the Lien Accounting System. The increase will be covered by fund contingency.

**CBO Discussion and Recommendation**

**CBO Discussion and Recommendations  
FY 2016-17 Fall BMP**

**Bureau:** Office of the City Auditor

**Type:** Technical Adjustment

**Request:** AU\_002 - Auditor's Technical Adjustments

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
External Materials and Services	100,000	0	100,000
Internal Materials and Services	(100,000)	0	(100,000)
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

The Auditor's Office requests a technical adjustment in its operating fund in the amount of \$100,000 for increased external services in Assessments, Finance, and Foreclosure Division for continued programming support for the Lien Accounting System. This cost will be offset by an increase in Bureau Overhead charges to the Local Improvement District fund.

**CBO Discussion and Recommendation**

**CBO Discussion and Recommendations  
FY 2016-17 Fall BMP**

**Bureau:** Office of the City Auditor

**Type:** New Request

**Request:** AU\_003 - Hearings Office Software Replacement

	<b>Fall BMP Requested Adjustments</b>	<b>Fall BMP CBO/Council Changes</b>	<b>Fall BMP Total Adjustments</b>
<b>EXPENDITURES</b>			
External Materials and Services	35,000	0	35,000
<b>TOTAL EXPENDITURES</b>	<b>35,000</b>	<b>0</b>	<b>35,000</b>
<b>REVENUES</b>			
General Fund Discretionary	35,000	0	35,000
<b>TOTAL REVENUES</b>	<b>35,000</b>	<b>0</b>	<b>35,000</b>

**Bureau Description:**

The Auditor's Office requests \$35,000 in one-time funding to replace the software utilized by the Hearings Office. The current case management system is out of date, has limited functionality, and is no longer maintainable. The potential benefits of a new software system include improved ability to track performance, capacity to submit appeals paperwork electronically, and greater efficiency of case processing. Estimates for new software from various vendors have ranged from approximately \$50,000 to \$250,000. Using the lowest price option, adding a 20 percent contingency, and factoring in up to \$5,000 in potential charges from the Bureau of Technology Services for set up, the total estimated budget is \$65,000. The Auditor's Office has approximately \$30,000 remaining from a carryover to fund this project, leaving a \$35,000 unmet funding need.

**CBO Discussion and Recommendation**

## Prior Year Business Area Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
<b>Office of the City Auditor</b>			
<b>EXPENDITURES</b>			
Personnel Services	\$6,053,156	\$5,753,671	95%
External Materials and Services	\$1,683,466	\$1,265,551	75%
Internal Materials and Services	\$1,501,710	\$1,550,361	103%
<b>TOTAL EXPENDITURES</b>	<b>\$9,238,332</b>	<b>\$8,569,583</b>	<b>93%</b>
<b>REVENUES</b>			
Charges for Services	\$262,841	\$237,607	90%
Interagency Revenue	\$136,438	\$65,280	48%
Miscellaneous	\$5,500	\$9,917	180%
General Fund Discretionary	\$4,091,431	\$0	0%
General Fund Overhead	\$4,742,122	\$0	0%
<b>TOTAL REVENUES</b>	<b>\$9,238,332</b>	<b>\$312,803</b>	<b>3%</b>

### **Bureau Reconciliation Narrative**

Auditor's Office expenditures were within the spending plan for Personal Services and Internal Materials and Services. Expenditures for External Materials and Services were 25 percent (\$417,915) below budgeted amounts. The primary factor for the under-spending is limited use of professional services, including lower costs for the City's outside financial audit, less spent on development of online Records Management training and other archives professional services, and lower than anticipated use of the contracted hearings officer. Other significant savings in External Materials and Services include lower than anticipated spending in repair and maintenance services, miscellaneous services, office and operating supplies, and education.

Revenues varied from budgeted amounts mainly because of changes in the Hearings Office's workload. Under Charges for Service, fees recovered from TriMet for exclusion appeals were down by \$18,921 and fees for land use hearings were \$10,319 below expectations. Interagency budget amounts were increased during the Spring BMP in anticipation of demolition delay hearings and projections for a higher number of tow hearings for Transportation. Both of these adjustments were for more than was ultimately charged, explaining the difference between budget and actual. Miscellaneous revenues were greater than anticipated because of fees collected for demolition delay hearings from outside individuals and fines received for Lobbyist Registration Program violations.

## Prior Year Fund Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
<b>201 - Assessment Collection Fund</b>			
<b>EXPENDITURES</b>			
Fund Transfers - Expense	10	10	100.00
Contingency	78,968	0	0.00
<b>TOTAL EXPENDITURES</b>	<b>78,978</b>	<b>10</b>	<b>0.01</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	78,128	0	0.00
Miscellaneous	850	724	85.20
<b>TOTAL REVENUES</b>	<b>78,978</b>	<b>724</b>	<b>0.92</b>

### Fund Reconciliation Narrative

Miscellaneous revenues were 15 percent lower than budgeted as a result of the decreased collections of assessment principal and interest. Since lien accounts in this fund have no scheduled repayments, activity can vary significantly from year to year as a result of unanticipated partial payments or payoffs. Any revenue activity is sporadic since the fund is relatively inactive and accounts for an insignificant liens receivable balance.

## Prior Year Fund Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
<b>311 - Bancroft Bond Interest and Sinking Fund</b>			
<b>EXPENDITURES</b>			
Unappropriated Fund Balance	13,899,738	0	0.00
Bond Expenses	6,867,463	8,371,713	121.90
<b>TOTAL EXPENDITURES</b>	<b>20,767,201</b>	<b>8,371,713</b>	<b>40.31</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	13,893,468	0	0.00
Miscellaneous	6,873,733	9,270,755	134.87
<b>TOTAL REVENUES</b>	<b>20,767,201</b>	<b>9,270,755</b>	<b>44.64</b>

### **Fund Reconciliation Narrative**

Bond Expenses were approximately 22 percent greater than budgeted due to additional bond calls made during semi-annual debt service. The increase in debt expense is directly linked to the increased collection of assessment principal (miscellaneous) revenues, which were approximately 35 percent higher than budgeted. As a result of the increased revenues, selected mandatory bond calls were required as additional assessment payment revenues became available.

## Prior Year Fund Reconciliation Report

	FY 2015-16 Revised Budget	FY 2015-16 Year-End Actuals	Percent of Actuals to Revised
<b>401 - Local Improvement District Fund</b>			
<b>EXPENDITURES</b>			
External Materials and Services	10,245	1,400	13.67
Internal Materials and Services	1,735,840	1,663,492	95.83
Bond Expenses	2,719,385	2,775,736	102.07
Fund Transfers - Expense	2,974,212	544,505	18.31
Contingency	2,512,762	0	0.00
<b>TOTAL EXPENDITURES</b>	<b>9,952,444</b>	<b>4,985,132</b>	<b>50.09</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	3,326,221	0	0.00
Charges for Services	1,053,500	1,220,779	115.88
Interagency Revenue	2,245	2,241	99.84
Bond and Note	4,759,678	2,329,971	48.95
Miscellaneous	810,800	1,160,121	143.08
<b>TOTAL REVENUES</b>	<b>9,952,444</b>	<b>4,713,112</b>	<b>47.36</b>

### Fund Reconciliation Narrative

#### Expenditures:

External Materials and Services were lower than budgeted because costs related to the Local Improvement District (LID) line-of-credit for federal rebate reporting were not incurred. The amount budgeted is an estimate of costs that could be incurred for debt rebate reporting and for services related to obtaining or maintaining the LID short-term financing facilities.

Fund transfers were 18 percent of budget due to fewer transfers to Portland Bureau of Transportation for reimbursements of LID project costs during the fiscal year. Transfers can only occur when projects are underway and expenses have been incurred. The revised budget included an additional \$2,429,707 in estimated project costs that could have been transferred if expenses were incurred during the year. The decrease in transfers is directly offset by a reduction in Bond and Note Revenues.

#### Revenues:

Bond and Note Revenues were only 49 percent of budget as a result of fewer reimbursement requests received from Transportation for LID project costs which would have required borrowing from the LID external line-of-credit. The decreased note revenue is directly offset by an equivalent decrease in fund transfers (\$2,429,707), as described above.

Miscellaneous Revenues were greater than budget as a result of increased collection activity and a larger number of lien searches during the fiscal year. Increased collection activity on severely delinquent liens resulted in fees and charges being approximately 12 percent above budget estimates. In addition, revenues collected for city lien searches were approximately 22 percent above budgeted and reflect the continued rebound in real estate sales transactions, which require city lien searches on property sales.



**Office of the City Auditor**  
**Performance Measures**

Performance Measure	Type	FY 2013-14 Year-End Actuals	FY 2014-15 Year-End Actuals	FY 2015-16 Adopted Budget	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget
AU_0001 - Number of audit reports issued	WORKLOAD	13	12	12	9	12
AU_0002 - Percentage of audit report recommendations implemented or in process	KPM	93%	80%	85%	89%	85%
AU_0003 - Full cost per audit hour	EFFICIENCY	\$114	\$114	\$122	\$142	\$125
AU_0004 - Number of community complaints to Independent Police Review	WORKLOAD	421	386	400	415	400
AU_0013 - Number of new liens assessed	WORKLOAD	3,831	1,953	1,760	1,708	1,649
AU_0016 - Number of complaints and requests to the Ombudsman	WORKLOAD	414	455	370	517	380
AU_0021 - Administrative costs as a percentage of total budget: goal is 10% or less	EFFICIENCY	7.6%	8.0%	8.0%	7.8%	7.0%
AU_0026 - Number of assessments per staff person	EFFICIENCY	1,916	977	880	854	825
AU_0030 - Number of election filings	WORKLOAD	13	6	20	38	5
AU_0031 - Number of code, appeal, land use, and tow Hearings Office cases	WORKLOAD	696	637	600	576	700
AU_0035 - Percentage of Ombudsman's Office recommendations accepted by bureaus	KPM	90%	87%	70%	88%	75%
AU_0036 - TRIM transaction cost per record	EFFICIENCY	\$0.12	\$0.10	\$0.11	\$0.05	\$0.09
AU_0037 - Number of researchers assisted by Portland Archives and Records Center staff	WORKLOAD	937	993	1,000	1,114	950
AU_0038 - Average number of months to make Council meeting minutes available to public	EFFICIENCY	9	6	3	3	3
AU_0039 - Number of hours Clerk spends in Council meetings	WORKLOAD	203	273	235	302	250
AU_0040 - Annual amount recovered in lieu of foreclosure by the Foreclosure program	EFFECTIVE	\$1,223,348	\$1,284,942	\$850,000	\$2,192,475	\$900,000
AU_0041 - Annual percentage change in electronic documents viewed through E-files (public portal)	KPM	18%	172%	40%	37%	50%
AU_0042 - Percentage of IPR investigations completed in 60 days	EFFICIENCY	0%	0%	0%	29%	45%

# Office of the City Auditor

## Performance Measures

Performance Measure	Type	FY 2013-14 Year-End Actuals	FY 2014-15 Year-End Actuals	FY 2015-16 Adopted Budget	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget
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### Performance Measure Variance Descriptions

Report on variances from targets, progress toward goals:

-Key Performance Measure: Percent Ombudsman recommendations accepted by bureaus

The types and subjects of complaints received by the Ombudsman varies widely from year to year. The office only makes a recommendation when an investigated complaint is determined to be substantiated. It is often the case that the office does not need to issue formal recommendations because the issue is resolved through less formal means. When recommendations are issued, whether they are accepted depends on the bureau and the commissioner-in-charge. Some recommendations are relatively easy to accept (like correcting a mistake), while others sometimes require a change in policy and practice.

-Key Performance Measure: Annual percent change in electronic documents viewed through E-files (public portal)

While the exact usage (views) of HPRM/TRIM from year to year is unpredictable, the office continues to encourage use of the system through a newly developed and mandated records retention training for City employees. Coupled with ongoing outreach, expansion, and technical assistance, the office expects steady growth in the overall views of City documents through HPRM/TRIM in coming years.

-Key Performance Measure: Percent IPR independent investigations completed in 60 or fewer days

This is a new measure and represents the first year where actual results are available. IPR conducted nine independent investigations, the most in its history. It received approval to hire one additional complaint investigator and replaced its most senior investigator when she retired. IPR expects making progress toward meeting its target once the new investigators are up-to-speed and the recruitment for a third new investigator is completed. IPR will have a total of seven complaint investigators in FY2016-2017. IPR is seeking code changes to Chapter 3.21 to simplify the complaint intake and investigative process, which also should contribute to improved performance under this measure. External factors play a role in IPR's ability to complete investigations within 60 days. Cases that involve many officers and witnesses, such as those that emerged from street protests, take longer than cases with fewer parties. Delays also can be caused by scheduling conflicts with complainants, witnesses and officers.

-Key Performance Measure: Percent audit report recommendations completed or in progress

Management has implemented or is in the process of implementing 89% of audit recommendations for the previous year. This percentage exceeds the fiscal year goal and is one percent below the long term strategic goal. Audit Services attributes this high percentage to an effective audit process and good communication with management, as well as actionable recommendations. Achieving a higher percentage (90% or more) may also depend on external factors, including management's budget and staffing, as well as capacity to implement audit recommendations. This percentage varies over time as the division assesses the implementation rates of different audit recommendations.

-Efficiency Performance Measure: Full cost per audit hour

The cost per audit hour in FY 2015-16 was above the target due to turnover in the division over the past year. Two retirements and the loss of a position that was reassigned to another division led to fewer hours of auditing. Newly hired auditors also must undergo training, which limits the number of hours they can be assigned to an audit. The division is fully staffed now and expects a lower cost per audit hour for FY 2016-17.